FISCAL NOTE

SB 3102 - HB 3207

February 5, 2008

SUMMARY OF BILL: Changes the activity test, for determining whether family-owned, non-corporate entities are eligible for excise tax exemptions, from "the production of passive investment income" to "the investment in passive assets." Expands the current excise tax exemption authorized for family-owned, non-corporate entities to include all trusts that distribute to family members. Removes the definition of "passive investment income." Adds new definition for "passive investment asset."

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds $1,000,000

Assumptions:

- "Passive investment income" means gross receipts derived from royalties, rents, dividends, interest, annuities, and sales or exchanges of stock or securities to the extent of any gains therefrom.
- "Passive investment asset" means stock, securities, or any asset which produces rents, interest, or annuities, regardless of whether any income is received from such asset for any period.
- According to the Department of Revenue (DOR), this bill has the effect of expanding the exemption for family-owned non-corporate entities.
- According to DOR, no data currently exists that would aid in determining a precise fiscal estimate for this legislation. However, the department indicates that there are sufficient family-owned entities and trusts having a requisite level of tax liability to cause an unknown loss of state revenue greater than $1,000,000 per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

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